



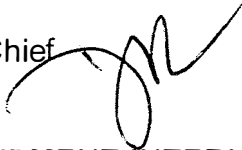
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**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 8, 2001

TO: Audit Committee

FROM: DeWitt Roberts, Chief  
Audit Division 

SUBJECT: **PORTABLE EQUIPMENT INTERNAL CONTROLS**

As requested, below is a summary of the County's internal control requirements for portable equipment items and the methods used by the Auditor-Controller to monitor departments for compliance.

The County Fiscal Manual requires departments to establish controls over portable equipment items (see Attachment 1) similar to those controls required for fixed assets. Portable items with a unit cost of \$5,000 or more will be accounted for as fixed assets. Items with a unit cost of less than \$5,000 should still be tagged (with a departmental inventory tag), assigned to specific individuals who will be held accountable for the items, and inventoried at least annually. These internal controls have also been included in the biennial Internal Control Certification Program (ICCP) evaluation that each department is required to complete. Attachment 2 is an excerpt from the evaluation worksheets used by the departments.

During their Fiscal Year 2000-01 ICCP evaluation, the following departments reported one or more portable equipment internal control weaknesses in at least one unit of the department:

- Department of Beaches and Harbors
- Community and Senior Services Department
- County Counsel
- Department of Parks and Recreation
- Department of Public Social Services
- Department of Public Works
- Registrar-Recorder/County Clerk
- Sheriff

In addition to departments' biennial ICCP evaluations, my office has performed fiscal reviews of 14 County departments in the past four years. Currently, these fiscal reviews include an examination of internal controls over portable equipment. We will schedule additional fiscal reviews as our priorities allow. Therefore, we recommend that the Audit Committee take no further action at this time.

If you have any questions, please call me at (213) 974-0301.

## 6.4.0 Portable Items of Equipment

### 6.4.1 Definition

Portable items of equipment (portables) are equipment items that can be easily carried or moved, especially by hand. Portables with a unit cost of \$5,000 or more will appear on the County's Inventory Listing. However, a significant number of portables will have a unit cost of less than \$5,000. These items must be controlled and accounted for separately. Portables that do **not** appear on the Inventory Listing must be controlled and accounted for by the department.

All items included on the County's Inventory Listing will have a County property tag number which should be utilized to control usage. When an item is **not** listed on the County's Inventory Listing (and therefore is **not** assigned a County property tag number), the department may use a separate department-issued portable tag.

### 6.4.2 Internal Controls

The following internal controls must be established to maintain adequate control over portable items of equipment.

- Control of all portables should be assigned to a manager or supervisor at each location. The assignment of portables is vested in the manager or supervisor.
- Control of the system of tracking and inventory of portables should be assigned to the fixed assets personnel in each department.
- A department-wide list should be maintained identifying the name of the individual responsible for portables at each location.
- If a portable is permanently assigned to an individual (like a desktop PC) the person to whom it is assigned should be identified.
- If a portable is loaned out to various employees, the person who controls and issues the portable should be identified. The loanable portables should be secured by the person responsible for their control when they are **not** on loan.

NOTES:

#### 6.4.2 Internal Controls (cont'd)

- A current listing of all portables should be maintained by the assigned manager/supervisor at each location. The listing should include a description of the item, the County identification (property tag) number (and/or manufacturers serial number), and the name of the individual to whom the item is assigned (for permanently assigned items). Unassigned items should be so identified.
- All unassigned portables should be maintained in a secured area.
- A “sign-out, sign-in” log should be maintained at each location to control usage of portables assigned to individuals on a permanent basis. The log should include the following information:
  - a. Description of the portable item
  - b. Manufacturer’s serial number or County property tag number
  - c. Name of user
  - d. Date and time checked out and returned
  - e. Signature of user (both out and in)
  - f. Issuers initials (both out and in)
- A physical inventory of all portables must be taken at least once each year. The results of the physical inventory should be reconciled to the department’s master listing of portable equipment. Missing portables which are on the County’s Inventory Listing must be included on the “Report of Equipment Loss” required to be filed annually with the Auditor-Controller and the Board of Supervisors. (See Section 6.5.0. of this manual.)
- Records, logs, and other documents must be retained by the Department for review by the Auditor-Controller during regularly scheduled audits or specially requested reviews.

NOTES:

## 1999-2000/2000-2001 BIENNIAL INTERNAL CONTROL CERTIFICATION PROGRAM

Fiscal Year: \_\_\_\_\_

Department: \_\_\_\_\_

Assessable Unit: \_\_\_\_\_

**VII. FIXED ASSET CONTROLS**

VII. FIXED ASSET CONTROLS	FISCAL	DO THE CONTROLS			VERIFICATION METHOD				COMMENTS
	MANUAL	EXIST?			METHOD	MARK METHOD USED			
	REFERENCE	YES	NO	N/A	REQUIRED	REV	OBSER	DISC	
F. PORTABLE EQUIPMENT ITEMS									
F.1. The department's fixed assets personnel maintain a system for tracking and inventorying all portable equipment items with a cost of less than \$5,000, including donated equipment; the system's master listing of portable equipment includes a description of the item, the County identification (property tag) number (and/or manufacturer's serial number), and if the item is assigned, the name of the individual to whom it is assigned.	6.1.3 6.1.5 6.4.2				Review				
F.2. A supervisor or manager at each location with portable equipment items is assigned control responsibility for the items, and is identified on the department's master listing as the responsible individual at the location.	6.4.2				Review				
F.3. The supervisor/manager at each location maintains a listing of portable equipment items at the location with the same information as the master listing, and maintains a "sign-out, sign-in" log to identify the person permanently or temporarily assigned each item.	6.4.2				Review				
F.4. The supervisor/manager controls unassigned portable equipment items and maintains them in a secure area.	6.4.2				Observe				